

Charity Commission No 1086396

Company Number: 4189311

THE HILL FOUNDATION

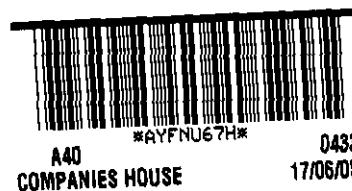
(A Private Company Limited by Guarantee)

REPORT OF THE TRUSTEES

AND

FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2005



THE HILL FOUNDATION

TRUSTEES AND
CHARITY DIRECTORS

MR. JAMES W A KITCATT
MS. IRINA L NEVZLINA
DR. ANTHONY SMITH

SECRETARY

MR. ALASTAIR TULLOCH

TRADING ADDRESS

4 Hill Street
Mayfair
London W1J 5NE

REGISTERED OFFICE

4 Hill Street
Mayfair
London W1J 5NE

REGISTERED NUMBER

4189311 (England & Wales)
Charity Commission No 1086396

BANKERS

Lloyds TSB Bank plc
Berkeley Square House
14 Berkeley Square
London W1J 6AF

AUDITORS

Simon Silver Myer
Chartered Accountants
8 Durweston Street
London W1H 1EW

ANNUAL REPORT AND ACCOUNTS YEAR ENDED 31ST MARCH 2005

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3	Report of the Independent Auditors
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5	Balance Sheet
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THE HILL FOUNDATION

REPORT OF THE TRUSTEES

YEAR ENDED 31ST MARCH 2005

OBJECTS AND POLICY

The principal objects and policy of the Company in the year was that of the advancement of education and relief of poverty.

The Company may establish and support any charitable trusts, associations or institutions to achieve these objects.

REVIEW AND FUTURE DEVELOPMENTS

During its fourth year, the Company selected a further 9 students for its Oxford University Scholarships, including an extension for one year. The annual dinner was held at Magdalen College in November 2004 at which the President reiterated the role of the Foundation in facilitating the democratization of Russia by inculcation of broad liberal Western values.

The schools project proved to be a great success with 6 highly academic teenagers spending a term at Magdalen College School. The full-time student co-ordinator continued to spearhead the charity's initiatives.

The trustees continued the policy of seeking projects that will enhance the Foundation's reputation in areas of academic excellence and to promote Russo-British co-operation in education and culture.

FINANCIAL RESULTS

Full details are set out in the following accounts which are in accordance with the Statement of Recommended Practice for charities.

CONSTITUTION AND OTHER STATUTORY INFORMATION

The Company is limited by guarantee and is a registered Charity No 1086396 governed by the Memorandum of Association adopted 28th March 2001. It is managed by the trustees who are supported by the company secretary.

The trustees who served during the year were:

MR. JAMES W A KITCATT
MS. IRINA L NEVZLINA
DR. ANTHONY SMITH

The trustees are the directors of the Company whose activities are governed by the Articles of Association adopted 28th March 2001.

RISK MANAGEMENT, RESERVES AND INVESTMENT POLICY

The trustees conduct the overall supervision and monitoring of the financial position of the organisation. Significant risks to income arise from the charity's dependence on the income arising from the expendable endowment fund. Mitigation of this risk, together with the reserves and investment policy, is explained in more detail in Note 10 to the Accounts.

Internal risks are mitigated by the implementation of procedures for authorisation of all transactions by at least two of the trustees.

THE HILL FOUNDATION

REPORT OF THE TRUSTEES (CONTINUED)

YEAR ENDED 31ST MARCH 2005

TRUSTEES' RESPONSIBILITIES

The Memorandum and Articles of Association require the trustees to prepare financial statements for the financial year which give a true and fair view of the state of affairs of the Company and to explain its transactions. In preparing those financial statements, the trustees are required to:

- * select suitable accounting policies and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable.
- * state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- * prepare the financial statements on the going concern basis unless it is not appropriate to presume that the company will continue in being.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the requirements of the Charities Act and relevant Statements of Recommended Accounting Practice as well as the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CONNECTED CHARITIES

Dr Anthony Smith is President of Magdalen College, Oxford. The scholarship sponsorship costs were paid to Oxford University and further details are set out in Note 3 on page 7 to the Accounts.

AUDITORS

The auditors, Messrs Simon Silver Myer, will be proposed for reappointment in accordance with Section 385 of the Companies Act 1985.

In preparing the above report, the trustees have taken advantage of special exemptions applicable to small companies under Part VII of the Companies Act 1985 relating to small companies.

By Order of the Board



Secretary - MR. ALASTAIR TULLOCH

13 June 2005

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF THE HILL FOUNDATION

We have audited the financial statements on pages 3 to 9.

Respective responsibilities of the trustees and auditors

As described on page 2, the charity trustees are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards. Our responsibility is to audit the financial statements in accordance with relevant legal & regulatory requirements and United Kingdom Auditing Standards.

We have been appointed as auditors under Section 43 of the Charities Act 1993 and report in accordance with regulations made under Section 44 of that Act. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditors report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the trustees as a body, for our audit work, for this report, or for the opinions we have formed.

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Charities Act 1993 and the Companies Act 1985. We also report to you if, in our opinion, the Trustees Report is not consistent with the financial statements, if the charity has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it or material inconsistencies with the financial statements.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the charity's affairs as at 31 March 2005 and of its incoming resources and application of resources for the year then ended and have been properly prepared in accordance with the Charities Act 1993 and the Companies Act 1985.

8 Durweston Street
London W1H 1EW

Simon Silver Myer
Chartered Accountants

Signed.  Registered Auditors

Dated this 15th June 2005

THE HILL FOUNDATION
STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED 31ST MARCH 2005

	<u>Notes</u>	<u>Unrestricted Funds</u> £	<u>Rest'ctd Funds</u> £	<u>Total</u> <u>2005</u> £	<u>Total</u> <u>2004</u> £
<u>Incoming resources</u>	1				
Donations		-	-	-	-
Endowments		500,000	-	500,000	-
Investment income	2	528,495	-	528,495	487,116
<u>Total Incoming Resources</u>		<u>1,028,495</u>	<u>-</u>	<u>1,028,495</u>	<u>487,116</u>
<u>Resources expended</u>	1				
Cost of activities in furtherance of the charity's objects	3	339,063	-	339,063	445,674
Legal & professional costs	4	13,998	-	13,998	2,497
Administration costs	5	60,284	-	60,284	16,369
<u>Total Resources Expended</u>		<u>413,345</u>	<u>-</u>	<u>413,345</u>	<u>464,540</u>
<u>Net Incoming Resources</u>		615,150	-	615,150	22,576
Unrealised gains on investments	6	675,690	-	675,690	132
<u>NET MOVEMENT IN FUNDS</u>		<u>1,290,840</u>	<u>-</u>	<u>1,290,840</u>	<u>22,708</u>
<u>FUND BALANCES AT 1 April 2004</u>		<u>13,910,268</u>	<u>-</u>	<u>13,910,268</u>	<u>13,887,560</u>
<u>FUND BALANCES AT 31 March 2005</u>		<u>£15,201,108</u>	<u>£ -</u>	<u>£15,201,108</u>	<u>£13,910,268</u>

The notes on pages 6 to 9 form an integral part of
these financial statements.

THE HILL FOUNDATION

BALANCE SHEET AT 31 MARCH 2005

	<u>Notes</u>	£	<u>2005</u> £	£	<u>2004</u> £
<u>FIXED ASSETS</u>					
Investments	6		13,943,866		13,815,213
<u>CURRENT ASSETS</u>					
Debtors	7	-		5,000	
Cash at bank		1,281,724		127,698	
			<u>1,281,724</u>	<u>132,698</u>	
<u>CREDITORS: AMOUNTS FALLING</u> <u>DUE WITHIN ONE YEAR</u>	8	24,482		37,643	
			<u>1,257,242</u>	<u>95,055</u>	
<u>NET CURRENT ASSETS</u>					
<u>TOTAL NET ASSETS</u>			<u>£15,201,108</u>	<u>£13,910,268</u>	

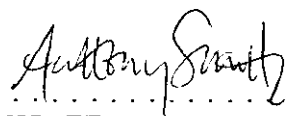
Represented by:

INCOME FUNDS

Unrestricted Funds	9		15,201,108		13,910,268
			<u>£15,201,108</u>	<u>£13,910,268</u>	

The Accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities.

The accounts were approved by the Board on 13 June 2005 and are signed on their behalf by:


.....
TRUSTEE

The notes on pages 6 to 9 form an integral part of
these financial statements.

THE THE HILL FOUNDATION LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2005

1. ACCOUNTING POLICIES

1.1 Basis of Accounting

The accounts are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities, and the Statement of Recommended Practice - Accounting by Charities.

1.2 Cash flow

The accounts do not include a cash flow statement because the company, as a small reporting entity, is exempt from the requirement to prepare such a statement under Financial Reporting Standard 1.

1.3 Incoming resources

Donations, endowments and other forms of voluntary income are recognised as incoming resources when receivable, except insofar as they are incapable of financial measurement. Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of receipt from the Inland Revenue.

1.4 Resources expended

Management and administration expenses reflect central establishment costs and may include costs of managing charitable projects.

1.5 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

1.6 Accumulated funds

Restricted funds are subject to specific conditions by donors as to how they may be used. The purposes and uses of the restricted funds are set out in the notes to the accounts.

1.7 Taxation

The Company is registered as a charity and is not liable to UK income or corporation tax on its charitable work.

THE THE HILL FOUNDATION LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2005

2. <u>INVESTMENT INCOME</u>	<u>2005</u> £	<u>2004</u> £
Bank deposit account interest	5,862	487,116
Investment fund bank deposit interest	15,472	-
Dividends received	433,849	-
Gains on sale of investments	73,312	-
	<u>£ 528,495</u>	<u>£ 487,116</u>

3. COSTS OF ACTIVITIES IN FURTHERANCE OF THE CHARITY'S OBJECTS

	<u>Unrestricted</u> <u>Funds</u> £	<u>Restricted</u> <u>Funds</u> £	<u>Total</u> <u>2005</u> £	<u>Total</u> <u>2004</u> £
Scholarship sponsorship costs	270,084	-	270,084	362,153
School student exchanges	29,079	-	29,079	26,931
Language tutorial short courses	3,000	-	3,000	15,440
Student selection costs	13,278	-	13,278	9,602
Travel costs	1,208	-	1,208	2,758
Secretarial support costs	19,975	-	19,975	23,500
Cultural exchanges	1,939	-	1,939	1,290
Academic projects	500	-	500	4,000
	<u>£339,063</u>	<u>-</u>	<u>£339,063</u>	<u>£445,674</u>

Included in scholarship sponsorship costs are estimated amounts totalling £230,749 (2004: £184,408) in respect of future academic studies for nominated scholars.

4. <u>LEGAL AND PROFESSIONAL COSTS</u>	<u>2005</u> £	<u>2004</u> £
Auditors' remuneration	1,234	1,116
Accountancy & consultancy fees	2,115	1,381
Investment management fees	10,649	-
	<u>£13,998</u>	<u>£ 2,497</u>

THE THE HILL FOUNDATION LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2005

5. ADMINISTRATION AND MANAGEMENT COSTS

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>	<u>Total</u>
	<u>Funds</u>	<u>Funds</u>	<u>2005</u>	<u>2004</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Student co-ordinator salary	50,000	-	50,000	10,256
State national insurance	5,793	-	5,793	1,214
Staff travel and accomodation	3,122	-	3,122	3,905
Office and support costs	859	-	859	855
Website design and support	208	-	208	-
Bank charges	-	-	-	29
Annual return & visa fees	302	-	302	110
	<u>£ 60,284</u>	<u>-</u>	<u>£ 60,284</u>	<u>£ 16,369</u>

6. FIXED ASSET INVESTMENTS

	<u>Listed in UK</u>	<u>Unlisted</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>
<u>Cost or valuation:</u>			
1 April 2004	13,815,213	-	13,815,213
Additions in year	511,854	-	511,854
Disposals in year	(1,059,023)	-	(1,059,023)
Unrealised revaluation gains	675,822	-	675,822
31 March 2005	<u>£13,943,866</u>	<u>-</u>	<u>£13,943,866</u>
<u>Market value:</u>			
31 March 2005	<u>£13,943,866</u>		<u>£13,943,866</u>
31 March 2004	<u>£13,815,213</u>		<u>£13,815,213</u>

	<u>2005</u>	<u>2005</u>
	<u>Market Value</u>	<u>Cost</u>
	<u>£</u>	<u>£</u>
<u>Investment categories</u>		
UK Bonds	5,505,291	5,520,000
UK Unit Trusts	4,274,177	3,818,754
Managed Investment Trust Hedge Fund	4,164,398	3,929,290
Unrealised gains on revaluation	675,822	-
	<u>£13,943,866</u>	<u>£13,268,044</u>

7. DEBTORS

	<u>2005</u>	<u>2004</u>
	<u>£</u>	<u>£</u>
Other debtors	-	5,000
	<u>£ -</u>	<u>£ 5,000</u>

THE THE HILL FOUNDATION LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2005

8. <u>CREDITORS: AMOUNTS FALLING DUE</u>	<u>2005</u>	<u>2004</u>
<u>WITHIN ONE YEAR</u>	<u>£</u>	<u>£</u>
Other creditors	24,482	37,643
	<u>£ 24,482</u>	<u>£ 37,643</u>

9. <u>ACCUMULATED FUNDS</u>	<u>As at</u>	<u>Incoming</u>	<u>Outgoing</u>	<u>Reval'tn</u>	<u>As at</u>
	<u>1.4.2004</u>	<u>Resources</u>	<u>Resources</u>	<u>Gains</u>	<u>31.3.2005</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
<u>Unrestricted funds:</u>					
Expendable Endowment	13,910,268	528,495	(413,345)	675,690	14,701,108
New donations	-	500,000	-	-	500,000
	<u>13,910,268</u>	<u>1,028,495</u>	<u>(413,345)</u>	<u>675,690</u>	<u>15,201,108</u>

10. PURPOSES OF THE ACCUMULATED FUNDS

10.1 Expendable Endowment Fund

The expendable endowment fund is to be invested conservatively and there is no duty on the part of the trustees to apply the funds until the trustees decide to convert those funds into income, when such funds shall then become unrestricted income.

The donor has expressed a view that the reserves will be built up to cover possible fluctuations in income to a level that is at least equal to one year's projected expenditure, but this is not a binding obligation on the trustees.

The donor has further expressed a wish that the funds are directed towards the integration of the Russian Federation into the world. Such activities are to include, but are not restricted to, sponsorship of Russian students at schools and universities outside of Russia, support of educational establishments, cultural exchanges and promotion of Russian art.

The foregoing is not binding on the trustees, nor subject to specific trusts, and the trustees are free to expend the expendable endowments and income thereof in pursuit of general charitable objects. Hence the accumulated fund is to be regarded as unrestricted within the definitions of the UK SORP relating to charities.